

advancing the discount rate, with benefits to legitimate business. The choice of either method, or the prudent use of both methods in conjunction with each other, depend largely upon the ability of bankers to judge whether the drastic pressure of sharp advances in the discount rate is required in order to arrest the expansion of credit and check dangerous speculation.

While the project of direct profit-sharing is not enforced so avowedly by the government upon the Bank of France as upon some other European banks, the Treasury receives a liberal proportion of the earnings of the bank. By various forms of taxation the government in 1907 collected thirteen per cent, of gross earnings and more than twenty-three per cent, of net earnings. The total amount thus absorbed was 11,082,218 francs (\$2,140,000) of which about 7,357,141 francs (\$1,420,000) came under the head of the return to the State as fixed by the charter of 1897. Up to that time an annual tax had been paid of 2,500,000 francs. The new law provided that the government should receive one-eighth of the rate of discount upon the productive operations of the bank, but in no case less than 2,000,000 francs per year. The productive operations were based upon the difference between the metallic reserve and total operations.¹ Another provision of the charter of 1897 provided that profits arising from a discount rate above five per cent, should be covered to the proportion of three-fourths into the public Treasury. The object of this provision was to discourage the advance of the discount rate as a means of retaining gold. It did not become operative, however, until 1907, when certain special discounts of English paper were consented to at a rate above five per cent.

¹ Calculations summed up by Pommier showed that from 1874 to 1896 the new plan would have yielded the government about 37,000,000 francs more than the old, even though in certain years the return would have fallen below 2,500,000 francs.— *La Banque de France et l'Etat*, 402-403. The total payments under the new provision to the close of 1907 were 50,133,551 francs.